

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7018

BILL NUMBER: HB 1126

NOTE PREPARED: Feb 29, 2012

BILL AMENDED: Feb 28, 2012

SUBJECT: Extraterritorial Water and Sewer Rates.

FIRST AUTHOR: Rep. Frizzell

FIRST SPONSOR: Sen. Merritt

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that: (1) a municipality that operates a water, wastewater, or combined water and wastewater utility; or (2) users of the utility's works whose property is located outside the corporate boundaries of the municipality; may petition the Utility Regulatory Commission (IURC) under certain circumstances for review and revision of the rates and charges imposed by ordinance on the users. The bill requires the IURC to prescribe the form and content of the petition. It provides that a petition is dismissed and the underlying ordinance takes effect if the IURC does not approve or disapprove the petition within 120 days. The bill authorizes the IURC to adopt rules.

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures: (Revised) The IURC may experience increased administrative costs as a result of this bill, but the provisions should be able to be accomplished within existing resources. The IURC will have to prescribe a petition form, and depending on the extent to which petitions occur as a result of this bill, will have to review and revise rates and charges as necessary. The provisions of this bill only apply to users located outside of the corporate boundaries of the municipality, and their rates must exceed by more than 15%, but not more than 50%, of the rates imposed on users located within the corporate boundaries.

Explanation of State Revenues: To the extent that petitions for revisions of rates and charges are approved by the IURC, there could be a change in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax revenues. This impact is indeterminable.

Background: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail

consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Municipalities may need to review and seek revision of water and wastewater utility rates and charges. These provisions only apply to users located outside of the corporate boundaries of the municipality, and their rates must exceed by more than 15% the rates imposed on users located within the corporate boundaries.

State Agencies Affected: IURC.

Local Agencies Affected: Municipalities.

Information Sources:

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